

January 30, 2014

The Honorable Marc Rhoades, Chairperson
House Committee on Appropriations
Statehouse, Room 111-N
Topeka, Kansas 66612

Dear Representative Rhoades:

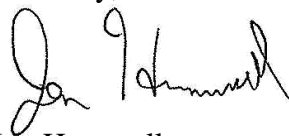
SUBJECT: Fiscal Note for HB 2470 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2470 is respectfully submitted to your committee.

HB 2470 would allow state universities to purchase insurance coverage (except employee health insurance) through admitted, excess, and surplus insurance markets. The admitted, or authorized, insurance companies receive a license from the Insurance Department to sell their insurance coverage. Excess and surplus line insurers do not receive a license to sell insurance coverage from the Insurance Department. Typically insurance agents can access the excess and surplus lines market only after they have performed a search of the admitted market and cannot find an admitted insurer to write the coverage.

There are very few Kansas admitted insurers that have the capacity to underwrite state universities with their large risk profile. The Board of Regents universities currently have property insurance with Travelers and pay a premium of \$2.76 million. HB 2470 would allow the state universities to take advantage of insurance tailored to them and offered through insurance companies that have not been admitted in Kansas. Currently, the Midwestern Higher Education Compact (MHEC), of which the Board of Regents is currently a member, offers insurance through a non-admitted insurer. If the universities were to switch from their current provider to an insurer provided through MHEC, it could reduce costs by \$550,000, lower deductibles and provide for broader coverage tailored to higher education. Any fiscal effect associated with HB 2470 is not reflected in *The FY 2015 Governor's Budget Report*.

Sincerely,



Jon Hummell,
Interim Director of the Budget

cc: Kelly Oliver, Board of Regents
Zac Anshutz, Insurance